

Message Text

SECRET

PAGE 01 SEOUL 00772 01 OF 02 020911Z

17

ACTION PM-04

INFO OCT-01 EA-07 ISO-00 CIAE-00 NSAE-00 NSCE-00 SSO-00

USIE-00 INRE-00 NSC-05 SP-02 SS-15 INR-07 L-03 AID-05

IGA-02 H-02 EB-07 OMB-01 TRSE-00 MC-02 /063 W

----- 006852

O R 020834Z FEB 76

FM AMEMBASSY SEOUL

TO SECSTATE WASHDC IMMEDIATE 5266

SECDEF WASHDC IMMEDIATE

INFO JCS WASHDC

CSA WASHDC

CSA WASHDC

CNO WASHDC

CSAF WASHDC

CMC WASHDC

CINCPAC

S E C R E T SECTION 1 OF 2 SEOUL 0772

EO 11652: GDS

TAGS: MASS, KS, US

SUBJECT: FISCAL YEAR 1977 MILITARY SECURITY ASSISTANCE

JOINT EMBASSY/COMUSK MESSAGE

REF: (A) STATE 017013 (DTG 230319Z JAN 76), (B) SEOUL 0582

(DTG 260823Z JAN 76), (C) SEOUL 8760 (DTG 140149Z NOV 75),

(D) 75 SEOUL 8802 (DTG 140822Z NOV 75), (E) SEOUL 8814

(DTG 140907Z NOV 75)

SUMMARY: THIS MESSAGE PROVIDES MISSION RESPONSES TO QUESTIONS

POSED REFTEL A (PARA 6) RE FY 77 FMS CREDIT LEVELS. END

SUMMARY.

1. THE FOLLOWING COMMENTS RESPOND TO THE TEN QUESTIONS
CONCERNING FY 77 FMS CREDIT LEVELS SET OUT IN REFTEL A
(PARA 6), AND ARE SUPPORTED IN FURTHER DETAIL BY THE MISSION'S

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SECRET

PAGE 02 SEOUL 00772 01 OF 02 020911Z

COMPREHENSIVE MILITARY, ECONOMIC AND POLICY ANALYSES OF THE

ROK FORCE IMPROVEMENT PLAN (FIP) TRANSMITTED IN REFTELS
C, D AND E:

A. THERE IS NO QUESTION THAT ROKG WILL ACCEPT AND CONSUMMATE CREDIT AGREEMENTS FOR \$275 MILLION INDICATED FOR FY 77, IF CONGRESS APPROVES EXECUTIVE BRANCH REQUEST. VALID ROK FORCES IMPROVEMENT REQUIREMENTS EXCEED THE \$275 MILLION LEVEL, AND ROKG ORIGINALLY REQUESTED AND WOULD GLADLY ACCEPT HIGHER ANNUAL LEVEL OF CREDIT, IF IT WERE OFFERED. ROK NEED FOR FOREIGN EXCHANGE WILL BE SUBSTANTIAL FOR AT LEAST NEXT SEVERAL YEARS, AND REFLECTS THE RAPID ASCENT OF OIL PRICES, WORLDWIDE INFLATION, RECESSION IN KOREA'S PRINCIPAL EXPORT MARKETS, AND THE NEED FOR FOREIGN BORROWING IN ORDER TO CONTINUE A HIGH RATE OF INVESTMENT AND RAPID ECONOMIC GROWTH.

B. COUNTRY TEAM HAS DETERMINED THE MAJOR ITEMS TO BE PROCURED WITH ASSISTANCE OF PROPOSED Y 77 CREDIT. SPECIFIC PROGRAMS AND THEIR PROJECTED VALUES ARE LISTED BELOW IN ROK FORCE IMPROVEMENT PLAN (FIP) SEQUENCE, WITH ONGOING FMS CREDIT PROGRAMS FIRST:

PROGRAM	VALUE	COMMENT
F-4E	\$35.5 MILLION	ON-GOING FMS CREDIT PROGRAM
M16/M60 CO- PRODUCTION	\$3.4 MILLION	" " " "
M16/M60 AMMUNITION	\$10.4 MILLION	" " " "
AIM-9E TO J MOD	\$.7 MILLION	" " " "
TOW	\$10.5 MILLION	" " " "
IMPROVED HAWK	\$27.0 MILLION	" " " "
MISSILE MAINT DEPOT	\$ 5.3 MILLION	" " " "

SECRET

SECRET

PAGE 03 SEOUL 00772 01 OF 02 020911Z

RADIO CO- PRODUCTION	\$13.4 MILLION	" " " "
PGM/ARMAMENT	\$ 5.4 MILLION	" " " "
AN/MRC-108	\$ 3.8 MILLION	" " " "
HARPOON	\$17.5 MILLION	" " " "

AH-1J \$.4 MILLION " " " "

AIRCRAFT MAINT

DEPOT \$ 4.6 MILLION " " " "

F-5E/F \$51.4 MILLION " " " "

END ON-GOING FMS CREDIT PROGRAM

AIR DEFENSE

COMMAND/CONTROL \$12.5 MILLION

VULCAN CO-

PRODUCTION \$14.3 MILLION

LIGHT OBSERVATION

HELICOPTER \$ 1.8 MILLION

OV-10 \$ 3.2 MILLION

FLIR FOR OV-10 \$.3 MILLION

COSUR \$ 2.8 MILLION

MINISTRY OF NATIONAL

DEFENSE COMBINED COMMUNI-

CATIONS \$.1 MILLION

MOBILE RADAR \$ 6.0 MILLION

SECRET

SECRET

PAGE 04 SEOUL 00772 01 OF 02 020911Z

F-5F \$ 8.5 MILLION

MER-5 \$ 2.5 MILLION

RADAR WARNING

RECEIVERS \$15.3 MILLION

NIKE-HERCULES

TRANSFER \$ 7.5 MILLION

HONEST JOHN

TRANSFER \$ 3.3 MILLION

AIR RECONNAIS-

SANCE SYSTEMS \$ 7.6 MILLION

TOTAL \$275 MILLION

REFTEL C PROVIDES DETAILED INFORMATION CONCERNING MILITARY JUSTIFICATION FOR THE ABOVE ITEMS, AND SHOWS HOW THEY FIT INTO THE COMPREHENSIVE PROGRAM FOR IMPROVEMENT OF ROK FORCES.

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PAGE 01 SEOUL 00772 02 OF 02 030221Z

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S E C R E T SECTION 2 OF 2 SEOUL 0772

C. PROVISION OF CREDIT IS IN ACCORDANCE WITH U.S. JSOP GOALS AND OUR SECURITY ASSISTANCE OBJECTIVE OF HELPING THE REPUBLIC TO DEFEND ITSELF AGAINST NORTH KOREAN ATTACK WITH DECREASING RELIANCE ON U.S. SUPPORT. IT IS ALSO CONSONANT WITH THE PRINCIPLE OF "COMPLEMENTARITY," STRESSED AT 8TH SCM, WHEREBY THE KOREANS WILL CONCENTRATE FIRST ON CORRECTION OF GROUND FORCES AND BASIC AIR AND NAVAL VULNERABILITIES, WHILE THE U.S. ACCEPTS A LARGE SHARE OF THE BURDEN IN MEETING WARTIME LOGISTIC NEEDS AND THE MORE SOPHISTICATED AIR AND NAVAL REQUIREMENTS.

D. FMS CREDIT WILL BE THE KEY VEHICLE FOR ROK FORCE IMPROVEMENTS IN MUTUALLY AGREED AREAS, AND WILL THUS GIVE THE U.S. GREATER FLEXIBILITY REGARDING ITS OWN FORCE LEVELS, DISPOSITION, AND USE.

E. THERE WILL BE NO GRANT MATERIAL FOR KOREA IN FY 77. REFTEL SECRET

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PAGE 02 SEOUL 00772 02 OF 02 030221Z

A LISTS \$8.3 MILLION GRANT AID BUT THIS WILL BE FOR ESSENTIAL SERVICES AND SUPPLY OPERATIONS (PCH&T) CONNECTED WITH DELIVERY OF PREVIOUSLY AUTHORIZED GRANT MATERIAL. REFTEL A ALSO LISTS \$2.7 MILLION GRANT AID FOR TRAINING. GRANT TRAINING IS DESIGNED TO IMPROVE ROK TECHNICAL PROFICIENCY IN MAINTAINING SECURITY ASSISTANCE-PROVIDED MATERIAL, TO PROVIDE SKILLS NECESSARY FOR THE EFFICIENT TRANSFER OF EQUIPMENT FROM THE U.S. TO THE REPUBLIC, AND TO IMPROVE OVERALL ROK MANAGEMENT PROFICIENCY. (CURRENT GRANT MATERIAL PROGRAMS ARE UTILIZED TO COMPLETE GRANT PROGRAMS ALREADY UNDERWAY, OR TO INITIATE AND COMPLETE LOW-VALUE PROGRAMS ESSENTIAL TO UPGRADE GRANT MATERIAL ON HAND.) FMS CREDIT PROGRAMS ARE HIGH-VALUE AND ONGOING PROGRAMS TO PROVIDE INVESTMENT ITEMS VITAL FOR ROK FORCES MODERNIZATION. GIVEN ROK FORCES IMPROVEMENT REQUIREMENTS AND GRANT MATERIAL TERMINATION IN FY77, FOREIGN EXCHANGE SUPPORT PROVIDED THROUGH FMS CREDIT WILL BE ESSENTIAL TO ROKG OVER NEXT FEW YEARS (SEE REFTELS C AND E).

F. PROVISION OF FMS CREDIT ASSISTS IN MOVING ROK TOWARD BETTER SECURITY BALANCE WITH NORTH KOREA, THUS CONTRIBUTING TO OUR INTEREST IN MAINTENANCE OF OVERALL STABILITY AND PEACE IN NORTHEAST ASIA. RELEVANT POLICY CONSIDERATIONS ARE EXAMINED AT LENGTH IN REFTEL E.

G. CREDIT SALES AT PROJECTED LEVELS WOULD NOT AFFECT REGIONAL ARMS BALANCE OR ACT AS STIMULANT TO ARMS RACE. REFTEL E SUPPORTS THESE POINTS IN DETAIL.

H. REFTELS C, D, AND E PROVIDE THOROUGHGOING DEMONSTRATION NEED FOR MILITARY CREDIT ASSISTANCE AND ROK ABILITY TO MANAGE CREDIT REPAYMENT.

I. PROPOSED FY 77 FMS CREDIT OF \$275 MILLION WILL NOT PLACE UNDUE BURDEN ON ROKG FOREIGN EXCHANGE RESOURCES. AS OUTLINED REFTEL D, MISSION ANALYSIS SHOWS THAT ROK ECONOMY CAN HANDLE THE INCREASED CREDIT NEEDED IN FY 77 AND LATER YEARS TO IMPROVE ROK FORCES.

J. PARA 1.B. ABOVE COVERS BOTH ONGOING AND OTHER CREDIT PROGRAMS PROJECTED FOR COVERAGE WITHIN THE PROPOSED SECRET

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PAGE 03 SEOUL 00772 02 OF 02 030221Z

FY 77 CREDIT LEVEL. KOREANS HAVE ALSO ASKED FOR P & A DATA ON NUMEROUS ROK FORCE IMPROVEMENT PLAN (FIP) ITEMS IN PREPARATION FOR REQUESTING CREDIT LETTERS OF OFFER, FMS CASH, OR COMMERCIAL PURCHASE FROM U.S. LIKE THE FMS CREDIT LIST ALL THESE FIP ITEMS ARE MUTUALLY AGREED AND MILITARILY VALIDATED, AND INCLUDE SUCH ONGOING U.S. CASH PURCHASES REQUIRING FOREIGN EXCHANGE EXPENDITURES AS THE AH-1J HELICOPTED, A-37B RETROGRADE AIRCRAFT, S-2E AIRCRAFT, AND VARIEGATED COMMUNICATIONS, TRAINING, AND SUPPORT EQUIPMENT. ADDITIONALLY, ALL O & M SALES INVOLVE FOREIGN EXCHANGE CASH TRANSACTIONS. WITH THE HELP OF THE PROPOSED SECURITY ASSISTANCE PROGRAM COUNTRY TEAM HAS CONCLUDED KOREAN ECONOMY IS NOW LARGE ENOUGH TO MANAGE THE SUBSTANTIAL INCREASES IN DEFENSE EXPENDITURES PLANNED FOR THE NEXT FEW YEARS, AND TO MAINTAIN LENDER CONFIDENCE. PAST THIRD-COUNTRY PURCHASES BY THE ROK HAVE BEEN LIMITED. IN TWO INSTANCES, TO FILL SPECIALIZED NEEDS AND WITH PRIOR U.S. AGREEMENT, ROKG BOUGHT SWISS OERLIKON AAA GUNS AND ITALIAN OTOMELARA NAVAL GUNS. ON ONE OCCASION, DESPITE STRONG U.S. OBJECTIONS, KOREANS PURCHASED FRENCH EXOCET MISSILE ON GROUNDS U.S. COULD NOT PROVIDE THEM WITH HARPOON MISSILE ON A TIMELY BASIS. MISSION KNOWS OF NO ROKG PLANS FOR THIRD-COUNTRY MILITARY PURCHASES DURING FY 77, BUT ASSUMES THIRD-COUNTRY CREDIT POTENTIAL IS SUBSTANTIAL, AND THAT KOREANS COULD TAP IT IN FUTURE IF THEY FELT KEY DEFENSE NEEDS COULD NOT BE SATISFIED OTHER-WISE. HOWEVER, KOREANS HAVE CONTINUALLY AFKHN AND PROVEN BY THEIR ACTIONS, THAT THEIR PRIME PREFERENCE IS FOR U.S. EQUIPMENT AND SUPPORT. ROKG ASSURED PRIOR CONSULTATION WITH U.S. IF THIRD-COUNTRY PURCHASES ARE UNDER CONSIDERATION. SNEIDER

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